

## Message Text

CONFIDENTIAL

PAGE 01 GEORGE 00073 181533Z

73

ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 NSC-10 NSCE-00 EB-03 COME-00

OPIC-01 L-02 TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01

PRS-01 SPC-01 OMB-01 CIEP-01 DRC-01 /057 W

----- 014951

R 181305Z JAN 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9240

AMEMBASSY KINGSTON

C O N F I D E N T I A L GEORGETOWN 0073

LIMDIS

E.O. 11652: XGDS-1

TAGS: ENRG, EMIN, EIND, PFOR, ECON, ETRD, GY

SUBJECT: ENERGY; FINANCIAL CRISIS; EFFECTS ON BAUXITE/REYNOLDS

REF: (A) GEORGETOWN 010 (B) GEORGETOWN 041

SUMMARY: DISCUSSED NEGOTIATIONS FOR PARTICIPATION BY GOG IN REYNOLDS GUYANA MINES WITH FONMIN S.S. RAMPHAL AGAINST BACKGROUND OF ECONOMIC AND FINANCIAL CRISIS BROUGHT ON BY ENERGY PROBLEMS, INFLATION AND POOR PERFORMANCE GUYANA'S ECONOMY IN 1973. HE AGREED THIS NO TIME BRING ON CONFRONTATION WITH USG AND SAID HE WOULD EXPLORE WITH PRIME MINISTER JUST WHAT HE HAD IN MIND AND ADVISE CAUTION.  
END SUMMARY.

1. HAVING IN MIND THE DEEP ECONOMIC AND FINANCIAL CRISIS GOG SUDDENLY FINDS ITSELF CONFRONTING (SEPTELS) AND BELIEVING IT OPPORTUNE RAISE QUESTION WHETHER THIS REALLY TIME FOR GOG BRING ON CONFRONTATION WITH USG, CALLED ON FONMIN S.S. RAMPHAL THIS MORNING TO DISCUSS SITUATION OF REYNOLDS GUYANA MINES.

2. REVIEWED FOR RAMPHAL'S BENEFIT MY CONVERSATION WITH  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GEORGE 00073 181533Z

MINISTER ENERGY AND NATURAL RESOURCES H.O. JACK (REF A),

STRESSING MY INTERPRETATION THAT REYNOLDS BEING PUT ON SPOT OF FISHING OR CUTTING BAIT BY MID-FEBRUARY. GAVE HIM MY OWN FEARS AND APPREHENSIONS ABOUT SCENARIO I ENVISAGED (REF B AND PREVIOUS), REVIEWED OPIC GUARANTEE, SAID FRANKLY I COULD NOT SEE HOW REYNOLDS COULD ACCEPT

INTERPRETATION AS DEFINED IN GOG POLICY, WENT OVER USG INTERPRETATION OF "PROMPT, ADEQUATE AND EFFECTIVE" COMPENSATION, SAID I DOUBTED ALCAN-TYPE SETTLEMENT WOULD MEET OUR CRITERIA EVEN THOUGH I APPRECIATED BURNHAM'S INTERNAL AND EXTERNAL PROBLEMS SHOULD SETTLEMENT SEEM TO DISCRIMINATE IN FAVOR OF US COMPANY, AND SAID I WOULD HATE TO SEE GOG AND USG EMBROILED IN CONFRONTATION JUST WHEN GUYANA, AND WHOLE THIRD WORLD IN FACT, FACING MAJOR ECONOMIC AND FINANCIAL CRISES BECAUSE OF ENERGY PROBLEM AND GENERAL INFLATION.

3. RAMPHAL QUICKLY CONCEDED THAT GOG FACING WHAT XE TERMED "DESPERATE CRISIS." FOREIGN EXCHANGE RESERVES SUFFICIENT TO COVER IMPORTS FOR ONLY 13 DAYS. WHILE IT TRUE ADDITIONAL DRACONIAN RESTRICTIONS ON IMPORTS BEING CONSIDERED TO CONSERVE EXCHANGE, THESE WOULD ALSO REDUCE INCOME FROM IMPORT AND CONSUMPTION TAXES, WHICH PRINCIPAL SOURCE OF REVENUE FOR CURRENT EXPENDITURES. SAID HAD BEEN FORCED TO TELL UK GUYANA COULD NOT CONTINUE SALES OF SUGAR AT NEGOTIATED PRICE OF 61 POUNDS PER TON WHEN COULD GET 105 POUNDS FROM US AND 174 ON FREE WORLD MARKET, EVEN THOUGH RECOGNIZED THIS WAS VIOLATION OF CSA. BOOKERS, PRINCIPAL PRODUCER, INSTRUCTED YESTERDAY BY PRIME MINISTER BURNHAM TO SHIP ALL SUGAR POSSIBLE TO US AND TO EXPLORE OTHER MARKETS. FOR EXAMPLE, GOG HAD RECEIVED INQUIRY FROM EGYPT, WHO OFFERING 160 POUNDS PER TON.

4. IN THESE CIRCUMSTANCES, RAMPHAL CONCEDED, WOULD BE FOOLHARDY TO BRING ON EXPROPRIATION DISPUTE WITH USG. IN FACT, HE SAID, GOG MIGHT WELL HAVE TO TURN TO USG FOR EMERGENCY ASSISTANCE. SAID HE HAD HEARD NOTHING IN CABINET WHICH WOULD SUGGEST BURNHAM'S INTENTION WAS TO BRING ON CONFRONTATION, BUT SEEMED IMPRESSED AND WORRIED BY MY REASONING THAT FEB 23 MIGHT BE "MAGIC DATE" FOR  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 GEORGE 00073 181533Z

BURNHAM (REF B). (HE MADE JOCULAR REFERENCE TO EXPECTATION THAT HE WOULD BE WITH SECRETARY IN MEXICO ON THAT DAY AND HAD NO DESIRE FACE HIM WITH GOG DECISION NATIONALIZE REYNOLDS.) AGREED TO TRY TO IMPRESS ON BURNHAM NEED TO AVOID TYING HIMSELF TO ARBITRARY DATE AND TO RETAIN FLEXIBILITY. RAMPHAL EXPRESSED SERIOUS DOUBTS ABOUT BALANCE, PERCEPTION AND MOTIVES OF MINISTER JACK, WHO HE SAID GIVES BURNHAM QUESTIONABLE ADVICE PRIVATELY BUT DOES

NOT SPEAK OUT IN CABINET.

5. MAKING IT CLEAR THAT I HAD NO INSTRUCTIONS FROM DEPT,

MUCH LESS AUTHORIZATION SPEAK FOR REYNOLDS, I SAID I COULD UNDERSTAND WHY GOG MIGHT FEEL IT COULD NOT LET REYNOLDS' OPERATION HERE DRIFT ALONG INDEFINITELY IN PRESENT FORM, THAT IS WITHOUT CAPITAL EXPENDITURES, EXPANSION, ETC. AT SAME TIME, PERFECTLY UNDERSTANDABLE WHY COMPANY HAD BEEN UNWILLING IN RECENT YEARS MAKE ANY INVESTMENTS IN THIS OPERATION. RAMPHAL AGREED. PERHAPS, I VENTURED, GOG IN CIRCUMSTANCES COULD FIND SOME WAY OUT OF ITS POLICY DILEMMA TO GIVE REYNOLDS EFFECTIVE LONG TERM ASSURANCES WHICH WOULD ENABLE IT TO INVEST, EXPAND, INCREASE EMPLOYMENT AND ADD TO GUYANA'S EXPORT AND TAX EARNINGS. HE SEEMED SEE LOGIC IN THIS, BUT OBVIOUSLY WORRIED ABOUT INCOMPATIBILITY ANY SUCH ASSURANCES WITH WIDELY PUBLICIZED (IN THIRD WORLD AS WELL AS INTERNALLY) GOG POLICY ON MAJORITY OWNERSHIP AND CONTROL. HE DID SAY, ONLY HALF JOKINGLY, THAT HE SAW ADVANTAGES TO

REYNOLDS RATHER THAN GOG HAVING TO MAKE DECISION CLOSE DOWN OPERATION WERE IT TO BECOME TOO UNECONOMIC BECAUSE OF RISING FUEL COSTS AND INFLATION IN GENERAL.

6. I ASKED RAMPHAL IF HE THOUGHT I SHOULD TALK TO BURNHAM ALONG SIMILAR LINES. HE SUGGESTED I LET HIM FIRST EXPLORE WITH BURNHAM WHAT HE HAD IN MIND. HE SAID HE WOULD ALSO TALK WITH PAT THOMPSON, CHAIRMAN OF GUYBAU, TO EXPLORE HIS ATTITUDE TOWARD ADDING THE REYNOLDS OPERATION TO HIS WOES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 GEORGE 00073 181533Z

7. IN COURSE OF FOREGOING I TOLD RAMPHAL OF TELEPHONE CALL I HAD RECEIVED FROM JUSTICE ARTHUR GOLDBERG ON TUESDAY REGARDING HIS PLANS ACCOMPANY REYNOLDS' RETIRED BOARD CHAIRMAN, JOE MC CONNELL, TO GEORGETOWN FOR MEETING WITH PRIME MINISTER ON FEBRUARY 12. THERE SEEMED BE CONFUSION REGARDING DATE, PERSONAL PARTICIPATION IN TALKS BY BURNHAM AND AVAILABILITY OF GOG OFFICIALS IN GENERAL SINCE FEB 12 IS A TUESDAY, WHICH IS ALWAYS CABINET DAY. RAMPHAL SAID HE WOULD TRY TO CLEAR UP CONFUSION.

8. COMMENT: WHILE WE BELIEVE IT WOULD BE EXTREMELY DIFFICULT (AND HIGHLY UNLIKELY) FOR BURNHAM TO REVERSE HIMSELF ON POLICY WITH RESPECT TO OWNERSHIP AND CONTROL

OF BAUXITE, HOPE COMPANY OFFICIALS WILL BRING WITH THEM  
CONCRETE AND ATTRACTIVE PROPOSALS FOR FUTURE OPERATIONS  
WHICH HEY COULD OFFER IN EXCHANGE FOR FIRM GUARANTEES  
FROM GOG. SERIOUSNESS OF PRESENT CRISIS JUST MIGHT CAUSE

GOG HAVE SECOND THOUGHTS. AT SAME TIME, AS WE HAVE SAID  
IN PAST, COMPANY SHOULD BE FULLY PREPARED FACE UP TO GOG  
POLICY ON OWNERSHIP AND CONTROL AND GIVE UNEQUIVOCAL  
ANSWER TO QUESTION WHETHER IT CAN ACCEPT PARTICIPATION  
AS DEFINED BY GOG. ASSUME DEPT IN TOUCH WITH REYNOLDS. KING

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, FINANCIAL CRISIS, BAUXITE, INFLATION, DIPLOMATIC RELATIONS INTERRUPTION, NEGOTIATIONS, PROPOSALS (BID), FOREIGN POLICY POSITION, GOVERNMENT EXPENDITURES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 JAN 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974GEORGE00073  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** X1  
**Errors:** N/A  
**Film Number:** n/a  
**From:** GEORGETOWN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740132/aaaabehu.tel  
**Line Count:** 179  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** (A) GEORGETOWN 010 (B) GEORGETOWN 04, 1  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 SEP 2002 by elyme>; APPROVED <06 DEC 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY; FINANCIAL CRISIS; EFFECTS ON BAUXITE/REYNOLDS  
**TAGS:** ENRG, EMIN, EIND, PFOR, ECON, ETRD, GY, REYNOLDS GUYANA MINES  
**To:** STATE KINGSTON  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005